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**BELLSOUTH**

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May 27, 1994

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MAY 27 1994

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, NW, Room 222  
Washington, DC 20554

RE: CC Docket 90-314  
Ex Parte Presentation

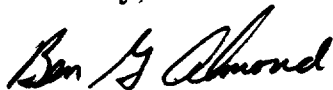
Dear Mr. Caton:

In accordance with the requirements of Section 1.1200 et. seq. of the Commission's Rules, you are hereby notified that on May 27, 1994 Tom Dougherty, Executive Director-PCS Group; Gary Hight, Executive Director-Wireless Group and Ben Almond, Executive Director-Federal Regulatory, all of BellSouth Corporation, met with Donald Gips, Deputy Chief-Office of Plans and Policy. During the meeting we discussed issues addressed in the Petition for Reconsideration and comments filed on behalf of BellSouth Corporation and certain of its subsidiaries in the referenced docket. The attached document was used for discussion purposes.

Please associate this notification with the docket in the referenced proceeding.

If there are any questions in this regard, please contact the undersigned.

Sincerely,



Ben G. Almond  
Executive Director-Federal Regulatory

Attachment

cc: Donald Gips

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# Limitations On 10 MHz Licenses

## **Spectrum limitations dictate.....**

- Single application, mobility only
- Low usage service, no wireline replacement capacity

## **Competitive implications.....**

- Fragmented market
- Lower functionality and/or capacity
- Inability to differentiate from existing providers' services
- Limited market share

## **Financial impact.....**

- Low revenue per subscriber
- High fixed costs

**Given the competitive disadvantage of 10 MHz allocations, would 15 MHz licenses have sufficient capacity to develop a viable PCS business?**

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# Business Case Results - 2010

	10 MHz			15 MHz
	<u>Limited Mobility PCS</u>	<u>Limited Mob. PCS+Cellular</u>	<u>Full PCS +Cellular</u>	<u>License</u>
Cumulative Market Share	5%	15%	15%	16%
Year End Subscribers	26K	78K	78K	83K
Revenue	\$15M	\$55M	\$57M	\$86M
Cum. Free Cash Flow - 2010	(\$179M)	(\$28M)	(\$73M)	\$9M

**Assumes 0% Cost of Capital**

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# Summary Of 15 MHz Findings

**15 MHz allocations may provide spectral capacity (through extensive cell splitting) to provide multiple services & higher revenue per subscriber**

- Tested in second tier market only (1.8M pops)
- High density (i.e. top 10 markets) will not have sufficient capacity

**Reduction in cell size to gain capacity results in significantly higher network investment**

- 15 MHz case required 40% more cell sites than 20 MHz case

**Return on investment is reduced by over 8% as compared to 20 MHz cases**

**15 MHz allocation results in business case with poor return**

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